

Message Text

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ACTION EA-12

INFO OCT-01 EUR-12 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00

COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05

SS-15 STR-07 ITC-01 TRSE-00 USIA-06 SP-02 SOE-02

OMB-01 DOE-15 /133 W

-----075926 220439Z /65

R 210944Z MAR 78

FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC 5609

INFO ALL EC CAPITALS

USMISSION GENEVA

AMEMBASSY TOKYO

AMEMBASSY MADRID

AMEMBASSY SEOUL

C O N F I D E N T I A L BRUSSELS 05634

USEEC

PARIS ALSO FOR OECD; GENEVA ALSO FOR MTN

E.O. 11652: GDS

TAGS: EEC, ETRD, EIND, JA

SUBJECT: JAPAN AAND EC AGREE ON STEEL TRADE

REF: TOKYO 4095

1. ACCORDING TO COMMERCIAL COUNSELOR OF JAPANESE MISSION, NIIKURA, WHO BRIEFED USEC ECONCOUNS ON RESULTS OF MARCH 17-18 TALKS BETWEEN DAVIGNON AND AMAYA, THE EC COMMISSION AND THE JAPANESE HAVE REACHED AN UNDERSTANDING ON PRICING OF JAPANESE STEEL EXPORTS TO THE EC. NIIKURA EMPHASIZED THAT HE WAS BRIEFING US AT EXPRESS REQUEST OF TAKAHASHI. NIIKURA SAID THE JAPANESE EXPRESSED THEIR READINESS TO OFFER QUOTE ADMINISTRATIVE GUIDANCANCE UNQUOTE TO JAPANESE STEEL FIRMS ON CIF CONTRACT PRICES TO ENSURE THAT
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DELIVERED PRICES AT THE FINAL DESTINATION WOULD NOT BE MORE THAN SIX PERCENT BELOW EC LIST PRICE FOR ORDINARY STEELS AND FOUR PERCENT BELOW EC LIST FOR HIGH CARBON AND ALLOYED STEELS.

2. IN RETURN DAVIGNON PROMISED THE JAPANESE THAT NO ANTI-DUMPING PROCEDURES WOULD BE INITIATED AGAINST

IMPORTS CONFORMING TO THE PRICE AGREEMENT AND NO DEFINITIVE ANTI-DUMPING DUTIES WOULD BE IMPOSED FOR DELIVERIES MADE UNDER CONTRACTS CONCLUDED BEFORE DECEMBER 20, 1977 (DATE OF THE EC COUNCIL MEETING WHICH CALLED FOR ACCELERATED ANTI-DUMPING PROCEDURES UNDER A BASE PRICE SYSTEM) AND WHICH ARE EXECUTED BEFORE APRIL 15. ANTI-DUMPING PROCEDURES WHICH ARE NOW IN COURSE AND WHICH HAVE NOT YET RESULTED IN THE APPLICATION OF PROVISIONAL DUTIES WILL NOT BE PURSUED. FOR THOSE CASES WHERE PROVISIONAL DUTIES HAVE BEEN APPLIED, THE INVESTIGATION PERIOD WILL BE EXTENDED FOR ANOTHER THREE MONTHS. DURING THE INVESTIGATION THE COMMISSION WILL TAKE INTO ACCOUNT EC/JAPAN COOPERATION AND IT BELIEVES THAT EVENTUALLY ONLY EXTREMELY FEW CASES WILL RESULT IN DEFINITIVE ANTI-DUMPING DUTIES. IN ALL OTHER CASES THE ANTI-DUMPING PROCEDURES WOULD BE SUSPENDED AND THE PROVISIONAL DUTIES REFUNDED.

3. IN ADDITION EC FIRMS WOULD BE PROHIBITED FROM ALIGNING DOWNWARDS TO MEET THE JAPANESE PRICE DIFFERENTIAL WHILE JAPANESE SELLERS WOULD REMAIN FREE TO ALIGN DOWNWARDS TO MEET COMPETITION FROM THIRD COUNTRIES WHICH HAVE NOT REACHED BILATERAL AGREEMENTS ON IRON AND STEEL TRADE WITH THE EC -- PROVIDED THAT THEY ARE NOT BELOW THE EC BASE PRICE.

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4. QUANTITIES DID NOT FIGURE IN THE DISCUSSIONS ACCORDING TO NIKURA, IT BEING UNDERSTOOD THAT THE GENTLEMEN'S AGREEMENT FOR 1978 REMAINS IN EFFECT. NIKURA SAID THIS CALLS FOR ADMINISTRATIVE GUIDANCE FROM THE GOJ TO LIMIT THE SIX MAJOR PRODUCERS TO 1.22 MILLION TONS IN EXPORTS. (HE ADDED THAT THIS AMOUNT IS EXPECT TO CONSTITUTE ABOUT 00 PERCENT OF JAPANESE EXPORTS TO THE EC.)

5. NIIMURA MAINTAINED THAT THE MARCH 17-18 MEETINGS DID NOT CONSTITUTE AN OFFICIAL AGREEMENT OR ARRANGEMENT BUT QUOTE UNILATERAL MEASURES TAKEN BY BOTH SIDES UNQUOTE. NIKURA STATED, HOWEVER, THAT DRAFT MINUTES OF THE MARCH 17-18 MEETING WERE AGREED UPON AND, IF APPROVED BY COREPER, WILL BE TRANSMITTED TO AMAYA FROM DAVIGNON. AMAYA WILL ACKNOWLEDGE RECEIPT BY RETURN LETTER. COMMENT: NIKURA, IN CIRCUMLOCUTION REMINISCENT OF THE 1976 GENTLEMAN'S AGREEMENT ON STEEL QUANTITIES, TOOK CONSIDERABLE PAIN TO DENY THIS EXCHANGE WILL CONSTITUTE AN AGREEMENT. APPARENTLY THE MINUTES/LETTER FORMULA REPRESENTS AN ACCEPTABLE COMPROMISE BETWEEN THE COMMISSION WHICH IS UNDER ORDERS FROM THE EC COUNCIL TO DELIVER A BILATERAL TRADE AGREEMENT AND THE GOJ WHICH FOR DOMESTIC

POLITICAL REASONS COULD NOT ACCEPT A FORMAL AGREEMENT.
END COMMENT.

6. HE SAID HE WAS NOT FULLY SATISFIED WITH THE RESULTS
LARGELY BECAUSE OF THE WIDESPREAD CHEATING ON LIST PRICES
BY EC PRODUCERS.

6. NIIKURA NOTED THAT DAVIGNON HAD STRESSED THE IMPORT-
ANCE OF A POSITIVE RESULT FOR THE COMMISSION.S NEGOTIA-
TIONS WITH SPAIN AND SOUTH KOREA.

7. DAVIGNON IS EXPECTED TO SEEK COREPER ENDORSEMENT OF
THE RESULTS OF LAST WEEK.S MEETING TODAY. MORRIS

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Message Attributes

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